Australian Government
Australian Accounting Standards Board

Memorandum

To:	**AASB members**	**Date:**	26 March 2013
From:	**Clark Anstis**	**Agenda Item:**	11.1 (M130)
Subject:	**IPSASB Report – March 2013 meeting**	**File:**	

Action

To receive a report on the 11–14 March 2013 meeting of the International Public Sector Accounting Standards Board.

Attachments

11.2 NZ Report on the IPSASB Meeting (March 2013); and
11.3 IPSASB *Meeting Highlights* (March 2013).

Overview

This agenda item reports on the major discussions and outcomes from the IPSASB meeting and governance matters. The NZ report attached was prepared by Ken Warren (New Zealand member of IPSASB) and Joanne Scott (NZASB staff). The IPSASB staff summary of the meeting highlights is also attached.

Background

The IPSASB met in Abu Dhabi, United Arab Emirates, hosted by the Abu Dhabi Accountability Authority, which addresses accounting and auditing matters for the public sector in Abu Dhabi. Both Tim Youngberry (Australia) and Ken Warren (New Zealand) attended the meeting. Clark Anstis and Joanne Scott attended as Technical Advisors to Tim and Ken respectively.

The Conceptual Framework (CF) project discussions covered just one day of the meeting, reflecting the fact that Phase 1 has now been issued (covering role of the Framework, objectives and users of financial statements, qualitative characteristics and reporting entity) and the EDs on elements and recognition (Phase 2) and measurement (Phase 3) are presently open for comment. At the meeting, the IPSASB held extensive discussions on the draft ED on Presentation (Phase 4) and the draft Preface, which addresses key characteristics of the public sector. The Presentation ED was revised during the meeting and approved for issue. The ED is expected to be issued shortly, with a four-month comment period.

Of the non-Framework projects, the IPSASB continued its development of final pronouncements (Guidelines) on financial statement discussion and analysis and reporting on the long-term sustainability of an entity's finances, with the aim of approving them at the June 2013 meeting. It continued work on EDs on the first-time adoption of IPSASs and the replacement of its consolidation, associates and joint ventures Standards (IPSASs 6-8) based on IFRS 10 and related Standards. The IPSASB also reviewed responses received on its Consultation Papers on public sector combinations and its 2013-2014 work program.

The attached NZ report and IPSASB *Meeting Highlights* include more detailed information about the discussions and decisions at the meeting.

Issues to Note

A few issues that may be of particular interest to AASB members are noted below. Members are not asked to make any decisions in respect of these issues.

Recommended Practice Guidelines

At the March meeting, the IPSASB considered draft criteria for determining the status of new pronouncements, that is, whether a new pronouncement should be a mandatory requirement or a non-mandatory guideline. The IPSASB decided that at present it would issue only Recommended Practice Guidelines in respect of broader-scope general purpose financial reports (GPFRs), which do not include general purpose financial statements (GPFSs), rather than mandatory Standards or Statements, whatever they might have been called. However, it may decide to issue such mandatory pronouncements in the future.

This decision particularly affects its project on financial statement discussion and analysis, since IPSASB ED 47 had proposed a mandatory Standard. A guideline has always been the proposed output for the long-term sustainability of an entity's finances project, and the IPSASB had not previously considered the form of output for the service performance reporting project. The IPSASB is likely to approve its first Recommended Practice Guidelines (RPGs) at its next meeting.

The AASB would then need to consider whether, and if so, how, to deal with IPSASB RPGs. The AASB's current transaction neutrality policy states that when the IPSASB issues an IPSAS (Standard) on a public sector-specific topic, the AASB will follow the *Process for Modifying IFRSs for PBE/NFP* document in considering whether to issue a corresponding Australian Standard or to modify existing Standards.[1] The policy of course does not mention non-mandatory IPSASB pronouncements.

The AASB has decided previously to make available to constituents the IASB's IFRS Practice Statement *Management Commentary*, without making any consequential amendments to Standards. A similar approach could be adopted for IPSASB Recommended Practice Guidelines.

Interests in Subsidiaries, Associates and Joint Arrangements

In its project to update IPSASs 6-8, the IPSASB is considering how to limit the scope of the structured entity disclosure requirements set out in IFRS 12 *Disclosure of Interests in Other Entities*. The IPSASB considered the approach that will appear in the forthcoming AASB ED *Consolidated Financial Statements – Australian Implementation Guidance for Not-for-Profit Entities*, which would limit (for NFP entities) the scope of structured entities to entities designed so that voting rights or similar rights, including administrative arrangements or statutory provisions, are not the dominant factor in determining control of the entity. IPSASB members supported the AASB's approach generally, and will consider it further at the next meeting, when the IPSASB will consider approving its EDs based on IFRSs 10, 11 and 12 and IASs 27 and 28.

---

1 See the AASB's document *Australian Accounting Standards and IPSASs* (October 2011) (page 3) at http://www.aasb.gov.au/admin/file/content102/c3/AASB_Approach_to_IPSASs.pdf.

The IPSASB has decided not to retain the present ‘temporary control’ exemption from consolidation that remains in IPSAS 6 *Consolidated and Separate Financial Statements*. However, the IPSASB is considering instead whether to exclude certain types of entities from consolidation (such as investment entities, entities controlled due to financial distress or entities engaged in market activities). The IPSASB has not yet reached a view on which types of entities (if any) might be excluded from consolidation, and if excluded, whether the equity method of accounting or some other treatment should be applied instead, with additional note disclosures. Another alternative being considered is to consolidate such entities but to require separate disclosures so that the effects of that treatment could be identified. This issue will be considered further at the next meeting.